NASA Advisory Council Meeting

Report of Audit and Finance Committee

April 17, 2008

Members:

Mr. Robert Hanisee, Chairman

Hon. Ted McPherson

Hon. Michael Montelongo

Mr. Howard Stanislawski

NASA:

Hon. Ronald Spoehel

Mr. Terry Bowie

Audit & Finance Committee FINAL AGENDA Fact-Finding Meeting SSC, Bldg 1100, Room 101 April 16, 2008

10:00 – 10:15 CST	Update from Deputy CFO	Terry Bowie			
10:15 – 10:45 CST	Presentation # 1 Presentation from SSC CFO	James Bevis			
10:45 – 12:30 CST	Presentation # 2 Presentation from NSSC Transition Update – AP/AR/FBWT NSSC Update	Acting CFO, Jimmy Carson Joyce Short			
12:30 – 1:45 CST	Presentation # 3 Working Lunch OCFO Phasing Plan Initiative Dashboard/IBOT PMT	David Schurr Glenn Fuller			
1:45 – 2:00 CST	Presentation # 4 Continuous Monitoring Program Implementation Phase – February Results	Leslie Hyland			
2:00 – 5:00 CST	Administrative Session	A&F Members			
5:30 CST	Adjourn and Meet Bus				

Report from Audit & Finance Committee

Update from Deputy CFO Terry Bowie

I. Financial Systems, Analyses and Oversight

- Compliance framework Implemented across all centers
- Environmental Liabilities Plan in process to record estimated environmental liabilities at the time an asset is acquired
- Close expired travel, contracts and grants on a timely basis

II. PP&E

- "IAM" SAP module implementation to line asset management and asset accounting including depreciation procedures
- Following revised asset tracking policy not retroactive (but includes Constellation) does not address "legacy" assets (Shuttle & ISS)
- Working with FASAB on approach to valuing "legacy" assets

Property Plant & Equipment

PP&E (06 Balance Statement)	\$33.2B
R&D Reclassification – Theme Assets	<u>13.2B</u>

PPE (FY07 Year End)	20.6B ~		
PP&E (Legacy Assets – Shuttle & ISS)	≥ 14.0B		

Path to Resolution

- O Await materiality cross over point (Shuttle 2010, ISS 2016)
- O Recreate balances using manifests (OIG would not approve)
- O Revisit application of PP&E policy; apply R&D standard to ISS
- O Work with FASAB to goal of Fresh Start (Write Off Legacy Assets)

OCFO personnel met with OIG, E&Y and FASAB in March on approach to valuing "legacy" assets. FASAB is willing to consider and has established a task force to analyze, but wants an omnibus solution for government agencies (not just NASA).

Report of Audit & Finance Committee

SSC Financial Briefing - James Bevis, CFO

30 different Residents on-site

SSC received \$163.4 supplemental funding for Katrina clean-up

Employee Base - Civil servant 273
- Contractor 818

- Total on site ~5000

- go to 25%

Center CFO Staffing

- 24 NASA employees (Fully Loaded)
- Plus 7 contractor FTE's

Report of Audit & Finance Committee (continued)

SSC Financial Briefing (Cont)

IAM Transactions (New SAP Module) – Go Live 5/19

Internal Controls

- 07 Audit E&Y noted several findings
 - Property Documentation (Old Assets)
 - Periodic Monitoring and Controls Documentation
 - Close out Contracts and Grants
- SSC Corrective Action Plan Implemented

• • NASA Phasing Plan Process

1. <u>Result we Seek</u>: Avoid "carrying over" significant amounts of unobligated balances that are exposed to being taken away by Congress (recession)

Cash Cycle Facts:

- At 9/30/2007 NASA had accumulated \$2 billion of unobligated funds that had not as yet been obligated within their remaining life.
- For example: \$100 million of <u>two-year</u> funds with <u>\$80 million</u> unobligated at the end of <u>one year</u>.
- Eventually \$1 million at end of 2 years.

NASA Phasing Plan Process (continued)

- At 9/30/2007 NASA had accumulated \$7 billion of obligated funds that had not as yet been spent ("costed") by contractors.

2. Solution

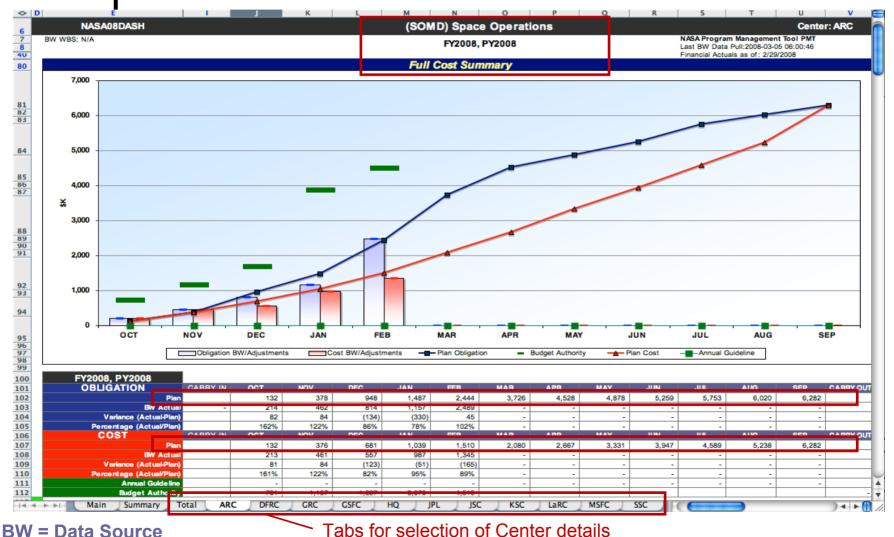
Similar to the managing of cash performed by a "Treasurer" in industry, NASA' Chief Financial Officer is:

- Focusing on obligations for FY 2008 with the goal of reducing NASA's unobligated carryover balance below \$1 billion;
- Focusing on the root causes of NASA's large carry over levels so as to enhance the Agency's performance.

NASA Phasing Plan Process (continued)

- 3. How the solution is being achieved
 - · Setting and communicating targets by Control Account Managers (CAMS) for reduced unobligated carryover funds for FY 2008
 - By lines of business (Directorates) and by centers;
 - Providing a dual reporting versus budget variance analysis starting today
- 4. Report Formats now in use at NASA for various levels
 - Mission Directorate: Space Operations
 - Programs: International Space Station Program
 - Funded Project: ISS Spacecraft Operations
 - Full Cost Elements: Procurement
 - Also by Center
 - Also Dashboard formats

FX - Mission Level





Budget Execution Dashboard

Obligations > Agency By Center

									7		
		Mar			EOY	EOY FORECAST UNDER DEVELOPMENT					
FY08 data includes PY06, PY07 and PY08	Plan	Actual	Variance %		Plan			\$ Amount in Millions Detail/Chart Options:			
Total	9,144.3	9,986.3	9%	G 1	8,505.7						1 1
Ames Research Center	311.5	320.4	3%	G	752.8				Mission	Charts	PMT
Dryden Flight Research Center	112.6	117.4	4%	G	254.4				Mission	Charts	PMT
Glenn Research Center	327.0	311.7	-5%	Y	700.6				Mission	Charts	PMT
Goddard Space Research Center	1,707.4	1,774.7	4%	G	3,198.5				Mission	Charts	PMT
Headquarters	409.2	445.8	9%	G :	1,414.2				Mission	Charts	PMT
Jet Propulsion Laboratory	406.8	992.5	144%	G :	1,422.3	1			Mission	Charts	PMT
Johnson Space Center	2,829.3	3,104.2	10%	G S	5,209.3		3		Mission	Charts	PMT
Kennedy Space Center	721.4	627.4	-13%	R	1,429.4	-			Mission	Charts	PMT
Langley Research Center	356.9	354.2	-1%	Y	852.5				Mission	Charts	PMT
Marshall Space Flight Center	1,818.4	1,756.9	-3%	Y 2	2,946.7				Mission	Charts	PMT
Stennis Space Center	143.8	181.1	26%	G	325.0				Mission	Charts	PMT

Obligation Variance Thresholds:

Red = Negative Variance Exceeding 5% AND Over \$1M

Yellow = Negative Variance Less Than or Equal to 5% OR Less Than or Equal to \$1M

Green = No Negative Variance

Double click on the above Mission or Theme or Detail/Charts links to proceed.

Summary – NASA Phasing Plan Process

- In short, valuable anticipatory insight as to the financial management of NASA projects, programs, and missions is now available at NASA as a result of all the progress previously reported.
- Recommend that NASA Chief Financial Officer (CFO) be provided the opportunity to brief the full NAC (NASA Advisory Council) at our next meeting (July at Glenn Research Center)

• • Continuous Monitoring Program

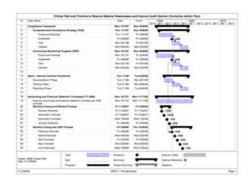
- E2E framework that implements the Comprehensive Compliance Strategy (CCS)
- Overall framework of management controls that ensures GAAP and regulatory compliance
 - Mandates the execution of standard control activities (e.g. FBWT, A/R, A/P, obligations, etc)
 - Reports results to NASA HQ for review and action
 - Requires Center management to certify completion of control activities
- A disciplined approach that produces evidence of auditable balances and activity reported in NASA's financial statements

Updates

NSSC

- On track to complete A/P and A/R transition in 2008
- Three Centers in place
- Three Centers by August
- Original estimated savings of \$6-8M; new estimate is \$12-15M
 - Savings contingent on building requisite volume of transactions and Centers redeploying "saved" labor assets
- Moving to substantially reduce costs/transaction
- Will conduct A/P benchmarking this CY
- Grants will transition in November 2008
- Financial Staff Personnel
 - 95 FTEs (94 on board plus 4 new hires less 3 losses) against 103 authorized

• • • Key Initiatives



- Phasing Plans David Schurr
- Performance Reporting/Dashboard Glenn Fuller
- Financial Audit Terry Bowie
- Comprehensive Compliance Strategy (CCS) & Spine Frank Petersen
- Comprehensive Monitoring Program (CMP) Leslie Hyland
- Shared Services IEMP Donna Smith/Daphne Jefferson
- Shared Services NSSC Rick Arbuthnot/Joyce Short/Cathy Claunch
- Professional Development Daphne Jefferson

• • Conclusion

Substantial and substantive progress continues in order to institutionalize transparent and integrated, cross-domain processes, systems and tools that have real prospect of improving NASA's financial profiles through more robust management and control